

SCREEN PRODUCERS AUSTRALIA'S POLICY AGENDA - 2015



SCREEN PRODUCERS AUSTRALIA WAS FORMED BY THE SCREEN INDUSTRY TO REPRESENT LARGE AND SMALL ENTERPRISES ACROSS A DIVERSE PRODUCTION SLATE OF FEATURE FILM, TELEVISION AND INTERACTIVE CONTENT.

As the peak industry and trade body, we consult with a membership of more than 350 production businesses in setting our policy agenda. This consultation is augmented by ongoing discussions with our elected Council and appointed Policy Working Group representatives. Our members employ hundreds of producers, thousands of related practitioners and drive more than \$1.7 billion worth of annual production activity from the independent sector.

On behalf of these businesses we are focused on delivering a healthy commercial environment through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms. This coordinated dialogue ensures that our industry is successful, employment levels are strong and the community's expectations of access to high quality Australian content have been met.

ESTABLISHING A HOLISTIC SCREEN POLICY

Screen Producers Australia echoes the views of a wide range of industry stakeholders in calling on Government, opposition and the minor parties to develop a holistic arts and communications and tax policy ahead of the next election.

The independent production sector is highly competitive and is affected greatly by policy mechanisms across the arts and communications portfolios.

These businesses are characterised by their professionalism, entrepreneurial spirit and quality of output. They operate in a media landscape that is equally characterized by its dynamism, in which technological changes are giving rise

to changes in production, distribution, consumption and business models.

Screen Producers Australia trusts that a holistic policy will provide clarity and certainty to industry, whilst reinforcing the importance of a diverse range of intersecting government interventions that are critical in building industry confidence and capacity to deliver on cultural and commercial objectives.

ADJUSTMENT TO TAX INCENTIVES

AN INCREASE TO THE PRODUCER OFFSET RATE FOR TELEVISION TO ENSURE INTERNATIONAL COMPETITIVENESS AND ALLEVIATE THE IMPACT OF REDUCED SCREEN SUBSIDIES

Following cuts to Screen Australia, ABC and SBS in 2014, there are concerns regarding the compound effects of additional cuts to Screen Australia in the 2015 Federal Budget. Screen Australia has stated in response that they will reduce the levels of their project investment, given the operational efficiencies that they have already implemented. There will undoubtedly be less diversity as a result, both in genres of content and types of businesses supported.

Screen Producers Australia believes the effects of reduced allocations across the screen agency and public broadcasters can be balanced by increasing the Producer Offset for television, in so far as there are safeguards that ensure the benefit of this increase remains with the small businesses that need this leverage the most.

Increases in the Producer Offset will ensure Australian production support is competitive in an increasingly globalized production landscape when compared to territories such as Canada, New Zealand and the United Kingdom.

GREATER FLEXIBILITY BUILT INTO THE PRODUCER OFFSET LEGISLATION IN REGARDS TO THE THEATRICAL RELEASE REQUIREMENTS OF FEATURE FILMS

The interpretation of theatrical intent for feature films, as required by the Producer Offset legislation, has been an increasingly vexed issue over the last couple of years

Amid a cluttered marketplace and the evolving distribution environment, the role of cinema as a primary platform is changing. Whilst it remains central it is equally important for exhibitors and distributors to best position our local productions for a screen-agnostic audience. The high-cost, one-size fits all approach of cinema release does not always serve the commercial or public access interests.

Screen Producers Australia welcomes the subtle, yet important, flexibility that Screen Australia is now showing in their interpretation of the legislation and encourages further relaxation.

By embracing the competition of the burgeoning distribution market our feature films will be released more efficiently by enabling certain films to incorporate more targeted event-style release augmented by other opportunities including a growing video on demand market.

DEVELOPING AND RETAINING SKILLS BY MAINTAINING A CRITICAL MASS OF PRODUCTION THROUGH OFFSHORE ATTRACTION

Attracting offshore production by utilising the Location and PDV Offsets is critical if Australia is to maintain its position as an investment destination of choice for the global screen industry and to ensure a consistency of work to develop and retain our skilled writers, directors, producers, cast and technicians.

Whilst the exchange rate has eased some of the pressure, there are an increasing number of incentives now offered worldwide that make it difficult to attract major international production. The increased PDV Offset, to 30 per cent in 2011, has stimulated a significant amount of work.

Screen Producers Australia believes that if the Location Offset was increased to this level as well there would be an exponential growth in jobs, across the freelance workforce as well as other service and facility providers.

ADJUSTMENT TO REGULATIONS

STIMULATING INVESTMENT ACROSS A DIVERSE RANGE OF AUSTRALIAN CONTENT ON COMMERCIAL FREE-TO-AIR TELEVISION

In response to increased pressure facing commercial free-to-air television, Screen Producers Australia is supportive in principle of a reduction in spectrum licence fees. However, it is important to note that some of this competitive pressure is by the commercial free-to-air sector's own design, as demonstrated by their investments in subscription video on demand services.

In Australia, like many other markets, there has been a great deal of speculation about the commissioning opportunities from video on demand services such as Netflix. However, their commissions remain largely focused on North America. Whilst this may broaden in time, the contribution made to local production by video on demand services is insignificant when compared to the more than \$2 billion spent by free-to-air commercial and subscription television.

As a result, any support of reduced fees is contingent on a commensurate increase in a diverse slate of local content. It must not simply facilitate a sports rights arms race at the expense of drama, documentary and children's programming. In real dollar terms, for example, the level of annual expenditure by commercial free-to-air television in sports increased by 23 per cent whilst expenditure in drama fell by 6 per cent in the three years to 2012/13. This trend is amplified by the renewed push of sporting codes to increase the value of their broadcast deals in coming negotiations.

In 2013 commercial free-to-air television was granted licence fee reductions, stronger protections and greater regulatory flexibility. This was a missed opportunity to tie these reductions, protections and flexibility to an obligation requiring an increased investment in diverse local content.

GREATER BROADCASTING TRANSPARENCY TO ENABLE MORE EFFECTIVE BENCHMARKING OF POLICY OBJECTIVES AND OUTCOMES

In this climate of increased pressure on commercial free-to-air television and funding cuts to public broadcasters there is a need for transparency in the market. Screen Producers Australia cites the Broadcasting Financial Results published by Australian Media and Communications Authority as a good example of reporting obligations for the commercial sector that should be replicated for public broadcasters.

The report provides a snapshot of the aggregated expenditure, revenue, profitability, assets, liability and net assets of the commercial radio and television broadcasting sectors. This type of reporting, in particular the breakdown of programming expenditure, is a vital tool for industry and government in guiding policy development. It crucially provides a layer of commercial transparency that underpins business confidence in the independent sector.

Screen Producers Australia would like the data to be enhanced across a range of content delivery services, including the ABC and SBS, and published more regularly. This would also include more detail in the reports, including the kind of funding (by in-house and external production including licence fees and equity), placement (by channel) and origin (by Australian, New Zealand and international) of programming expenditure and hours.

STRONGER OVERSIGHT OF COMMERCIAL TRANSACTIONS BETWEEN BROADCASTERS AND THE INDEPENDENT PRODUCTION SECTOR

Screen Producers Australia has maintained benchmark terms of trade with ABC since 2009. These terms align with other negotiated agreements and provide certainty to both parties. This is not to fix pricing but rather streamline the commissioning process by assisting in the mapping and modernising of rights available in both broadcast and ancillary usages across a multichannel and online broadcast environment. However, ABC is an isolated example with other broadcasters resisting similar arrangements.

Screen Producers Australia calls on government to assist in establishing an industry code of conduct to strengthen the voluntary arrangements that been promoted to date by the independent production sector. Independent producers look to such arrangements to ensure that broadcasters don't to use their disproportionate level of market power, either intentionally or otherwise, to create an unfair marketplace in the acquisition of screen content.

MAINTAINING THE INTEGRITY OF AUSTRALIAN CONTENT ON COMMERCIAL FREE-TO-AIR TELEVISION

In 2014, Screen Producers Australia was both disappointed and alarmed at the annual compliance results for metropolitan commercial free-to-air television licensees released by the Australian Media and Communications Authority.

The figures revealed, that in relation to its first release Australian drama, the Nine Network met an astounding 51 per cent of its obligation with the use of New Zealand programming, compared to just 7 per cent for Seven Network and 4 per cent for Network Ten.

The industry was reassured during the 2013 media reforms that the licence fee reductions to the commercial free-to-air television would better protect Australia content. However, with cheap imported New Zealand drama shelved on multi-channels accounting for 51 per cent of the Nine Network's drama points and 60 per cent of their drama broadcast hours, it is clear that the increased flexibility has become a cynical exercise that is shortchanging Australian viewers.

Screen Producers Australia is calling on government to redefine the term 'first release' in the Australian Content Standard, by broadening the definition to reflect the concept of a worldwide premiere and not just a program's initial screening in the licence area.

IMMIGRATION REFORM TO MAXIMISE GROWTH OPPORTUNITIES FOR AUSTRALIAN CONTENT IN THE GLOBAL MARKETPLACE

The Temporary Employment (Entertainment) visa (Subclass 420) and the Foreign Actors Certification Scheme have not been substantially updated since the 1990s and as a result are out of step with current commercial pressures.

Access to foreign investment and sales is highly competitive and critical in a climate of static domestic tax incentives and declining subsidies - incentives and subsidies that alone will not fund current levels of highly creative and culturally relevant Australian content.

Screen Producers Australia is looking to the Government's review of temporary visas to deliver sensible reform that balances the needs of all parts of the screen industry and contribute to the continued growth of the sector to ensure greater employment not only for cast but also writers, directors, crew and producers.